

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GRAYSON RURAL)	
ELECTRIC COOPERATIVE CORPORATION)	
FOR A CERTIFICATE OF CONVENIENCE)	
AND NECESSITY FOR THE CONSTRUCTION)	
OF DISTRIBUTION AND SERVICE LINES,)	CASE NO. 95-559
MISCELLANEOUS CONSTRUCTION INCLUDING)	
TRANSFORMERS, SYSTEM IMPROVEMENTS,)	
LABOR, MEMBER SERVICE MATERIAL AND)	
OTHER EXPENSES AND CONTINGENCIES)	

O R D E R

On December 11, 1995, Grayson Rural Electric Cooperative Corporation ("Grayson") filed its application for a certificate of public convenience and necessity to construct system improvements, including distribution and service lines. Additional information was requested by Order dated February 5, 1996, and subsequently provided on February 16, 1996.

Grayson proposes to spend \$8,648,000 through the year 1999, to improve its quality of service and reliability, as well as to accommodate future growth. These improvements are described as follows:

New lines to serve new consumers:	\$2,731,756.00
New tie lines	24,000.00
Conversions and line changes	2,410,600.00
Miscellaneous distribution equipment	3,433,484.00
Security lights	<u>48,160.00</u>
Total	\$8,648,000.00

Grayson has established design criteria, which specify minimum standards for voltages, thermal loading, safety, and reliability. Grayson uses distribution circuit analysis software to model its system, which can then be used to predict the effects of load growth on system voltages and thermal loading. Proposed changes can then be made to the model to determine if they adequately resolve any predicted deficiencies. All lines scheduled for re-conductoring are coordinated with Grayson's Long Range Plan. Grayson also considers replacement of lines and/or equipment when a threshold of three outages occur as a result of problems in a particular line section. To improve reliability and to avoid potential problems arising from thermal loading, Grayson is in the process of replacing three phase copperweld lines on a systematic basis. Single phase copperweld lines are also replaced on a systematic basis, but more emphasis is placed on past reliability and future electrical requirements.

Grayson has recently accelerated its right-of-way clearing program in an effort to supply more reliable service, and hopes to continue this accelerated program through the next three or four years. Grayson anticipates that additional sectionalizing equipment scheduled to be installed will also reduce the number of customers affected by outages. Grayson intends to install 1680 more lightning arrestor/cut-out combinations and 150 more reclosers during this work plan.

The Commission is encouraged by Grayson's initiative in increasing its emphasis on reliability, particularly the

acceleration of its right-of-way clearing program, the inclusion of single phase lines in its systematic replacement of copperweld conductors, and the additional circuit protective equipment to be installed. Although initial costs may be expensive, it is reasonable to anticipate future operations and maintenance savings from measures taken to improve reliability. Although immeasurable, improved customer satisfaction can also be a valuable asset.

Grayson indicated that it planned to borrow all necessary funds from the Rural Utilities Service ("RUS") to finance the Work Plan. Grayson determined that it would qualify for a hardship loan, which means it is eligible for 100 percent financing. Grayson stated that the interest rate for the hardship loan was 5 percent.¹ Grayson's application with RUS was filed in June 1995.²

The Commission, after considering the evidence of record and being advised, finds that public convenience and necessity require the construction of the improvements and additions as proposed in this application, and a certificate should be granted.

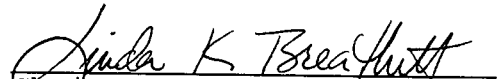
IT IS THEREFORE ORDERED that Grayson be and it hereby is granted a Certificate of Public Convenience and Necessity to proceed with the construction of the improvements and additions as proposed in this application.

¹ Response to the Commission's February 5, 1996 Order, Item 3(a).

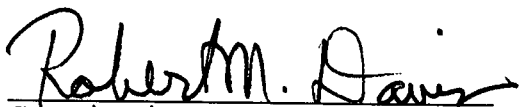
² Id., Item 3(b). Grayson indicated that its loan may not be considered in Fiscal Year ("FY") 1996, depending on Congressional approval of a federal budget. If not in FY 1996, the proposed loan should be included in the FY 1997 budget.

Done at Frankfort, Kentucky, this 16th day of April, 1996.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director